

WATER/FLC/SNR/PTL/TKM/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4606

June 29, 2006

R E S O L U T I O N

**(RES. W-4606), LAKE FOREST WATER COMPANY (LFWC).
ORDER AUTHORIZING AN INTERIM GENERAL RATE
INCREASE SUBJECT TO REFUND, PRODUCING AN
INCREASE IN GROSS ANNUAL REVENUES OF \$35,000 OR
70.2%.**

SUMMARY

By Draft Advice Letter accepted on March 9, 2006, LFWC requested an increase in rates to produce an increase in annual revenue of \$96,200, or 178.6% for test year 2006. To provide LFWC with sufficient income to pay operating expenses pending the processing of the utility's general rate case (GRC), this resolution grants LFWC an interim general rate increase in gross annual revenues of \$35,000 or 70.2%. This interim increase is subject to refund upon the final resolution of LFWC's GRC request.

BACKGROUND

LFWC is a Class D water utility and serves approximately 112 customers located in Lake Forest adjacent to State Highway 28 and approximately 2 miles northeast of the community of Tahoe City, Placer County.

LFWC requested authority under Section VI of General Order 96 and Section 454 of the Public Utilities Code to increase rates for water service to produce additional revenues of \$96,200 or 178.6% in test year 2006. LFWC's request shows 2006 gross revenues of \$53,837 at present rates increasing to \$143,131 at proposed rates to produce a rate of return on rate base of 14.0%.

LFWC's present rates became effective on February 9, 1998, pursuant to Decision (D.) 92-03-093, which authorized a Consumer Price Index increase. The last

general rate increase was approved on May 29, 1988, pursuant to D.88-04-024 which granted an increase of \$14,137 or 42.1% with a 11.6% rate of return on the rate base.

NOTICE

A notice of the full increase request was mailed to the customers on March 18, 2006. A revised notice to the customers with corrected rates was mailed on May 25, 2006. This Resolution is for an Interim General Rate Increase subject to refund.

PROTESTS

This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311 (g) (3).

DISCUSSION

The Service Guarantee Plan for Small Water Companies (Standard Practice U-9-SM) as augmented by Res. No.W-4540 dated June 16, 2005, Ordering Paragraph 3, allows an interim rate increase for small water companies operating at a loss on a cash-flow basis. The interim rate increase provides the utility with sufficient income to cover its operating expenses. It is subject to refund pending the final resolution of LFWC's general rate increase request.

LFWC is currently operating at a loss. The rate increase request was based on financial information for the period from January through December 2004 and 2005. After an analysis of these records, the Audit and Compliance Branch estimates that LFWC should be allowed an interim increase of \$35,000 in order for the utility to meet its cash-flow requirements.

The interim tariff schedules – Schedules No. 1A, Annual Metered Service, and Schedule No. 2A, Annual Flat Rate Service, show the recommended rates.

The Water Division recommends that the proposed interim rates shown below be granted to LFWC:

Schedule No. 1A - Metered Service:

Quantity Rates:	Present Rates	Interim
		Proposed Rates
All usage, per 100 cu. ft.....	\$ 1.61	\$ 2.74
Service Charge:	Present Rates	Interim
		Proposed Rates
		Per Year
For 5/8 - inch meter	\$ 138.02	\$ 234.91
For 3/4 - inch meter	\$ 153.05	\$ 260.49
For 1 - inch meter	\$ 207.53	\$ 353.21
For 1 1/2 - inch meter	\$ 277.41	\$ 472.15
For 2 - inch meter	\$ 373.03	\$ 634.90
For 3 - inch meter	\$ 694.17	\$ 1,181.48
For 4 - inch meter	\$ 941.51	\$ 1,602.45

Schedule No. 2A - Flat Rate Service:

Rates:	Per Service Connection	
	Per Year	
	Present Rates	Interim Proposed Rates
For a single-family residential unit including premises	\$259.62	\$441.87
For each additional single-family residential unit on the same premises and served from the same service connection	\$194.03	\$330.24
For Motels or recreational vehicle parks First Manager's Unit	\$259.62	\$441.87
(a) For each additional motel or vehicle unit on the same premises and served from		

the same connection	\$ 98.48	\$167.61
Single unit commercial units having minimum fixtures described as one hose bib or standpipe	\$194.03	\$330.24
Double commercial units with less than 1,500 sq.ft. having minimum fixtures in each unit	\$388.06	\$660.48
Intermediate commercial less than 2,000 sq.ft., 1-inch service lines, additional fixtures than minimum, additional uses such as landscaping, power/steam wash, or one living accommodation unit	\$457.78	\$779.14
Commercial warehouse buildings with Office facilities, separate bays, less than 2,000 sq.ft.	\$457.78	\$779.14
Commercial warehouse building with office facilities, separate bays, more than 2,000 sq.ft.	\$646.36	\$1,100.10
Utility maintenance station, large Commercial with one living Accommodation, parks, beaches	\$646.36	\$1,100.10
(a) Each additional living unit	\$191.33	\$ 325.64

COMPLIANCE

LFWC has Department of Health Services outstanding compliance order to install equipment to monitor chlorine continuously. LFWC plans to install and operate a continuous chlorine monitor at the Aspen Lake intake for the purpose of notifying personnel of a disinfection failure by July 1, 2006.

COMMENTS

The Resolution is a compliance filing as authorized by Res. No.W-4540, Ordering Paragraph 3 that pertains to an interim increase subject to refund. Comments are not required.

FINDINGS

1. The interim rates recommended by the Water Division (Appendix A) are reasonable and should be adopted.
2. The rate increase authorized in this resolution is subject to refund pending the completion of the staff investigation of LFWC general rate increase request.
3. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g) (3).

THEREFORE IT IS ORDERED THAT:

1. Lake Forest Water Company, Inc. is authorized to file an advice letter for incorporating the rates contained in Schedules Nos. 1A, Annual Metered Service, and 2A, Annual Flat Rate Service, attached to this resolution as Appendix A, and to concurrently cancel Schedules Nos. 1A and 2A. Its filing shall comply with General Order 96-A. The effective date of the revised rate schedules shall not be earlier than five days after the date of its filing.
2. The rate increase authorized in this resolution is subject to refund pending the final resolution of Lake Forest Water Company, Inc.'s general rate increase request.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on June 29, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

APPENDIX A
Sheet 1

Lake Forest Water Company

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The unincorporated areas known as Lake Forest Unit No. 1 and vicinity, located adjacent to State Highway 28 and approximately 2 miles northeast of the Community of Tahoe City, Placer County.

RATES

Quantity Rates:

All usage, per 100 cu.ft.	\$	2.74	(I)
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Service Charge:

		<u>Per Year</u>	
For	5/8 x 3/4 - inch meter	\$ 234.91	(I)
For	3/4 - inch meter	\$ 260.49	
For	1 - inch meter	\$ 353.21	
For	1 1/2 - meter	\$ 472.15	
For	2 - inch meter	\$ 634.90	
For	3-inch meter	\$ 1,181.48	
For	4 - inch meter	\$ 1,602.45	(I)

This service charge is a readiness-to-serve charge, which is applied to all metered service and to which is added the monthly charge computed at the Quantity Rate.

APPENDIX A
Sheet 2

Lake Forest Water Company

Schedule No. 2A

ANNUAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat water service billed on a semi-annual basis (6 months).

TERRITORY

The unincorporated areas known as Lake Forest Unit No. 1 and vicinity, located adjacent to State Highway 28 and approximately 2 miles northeast of the Community of Tahoe City, Placer County.

RATES

		Per Service Connection	
		Per Year	
1.	For a single-family residential unit including premises	\$ 441.87	(I)
	For each additional single family residential unit on the same premises and served from the same service connection	\$ 330.24	(I)
2.	For Motels or recreational vehicle parks First Manager's Unit	\$ 441.87	(I)
	(a) For each additional motel or vehicle unit on the same premises and served from the same connection	\$ 167.61	(I)
3.	Single unit commercial units having minimum fixtures described as one hose bib or standpipe	\$ 330.24	(I)

(continued)

APPENDIX A
Sheet 3

Lake Forest Water Company

Schedule No. 2A
(continued)

ANNUAL FLAT RATE SERVICE

RATES (continued)

Per Service Connection
Per Year

- | | | | |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----|
| 4. | Double commercial units with less than 1,500 sq.ft. having minimum fixtures in each unit | \$ 660.48 | (I) |
| 5. | Intermediate commercial less than 2,000 sq.ft., 1-inch service lines, additional fixtures than minimum, additional uses such as landscaping, power/steam wash, or one living accommodation unit | \$ 779.14 | (I) |
| 6. | Commercial warehouse buildings with Office facilities, separate bays, less than 2,000 sq.ft. | \$ 779.14 | (I) |
| 7. | Commercial warehouse building with office facilities, separate bays, more than 2,000 sq.ft. | \$1,100.10 | (I) |
| 8. | Utility maintenance station, large Commercial with one living Accommodation, parks, beaches | \$1,100.10 | (I) |
| | (a) Each additional living unit | \$ 325.64 | (I) |